

FACT CHECK: Who Pays Taxes?

Setting Record Straight on GOP's Misleading Claim on Who Pays Tax

GOP Continues Misleading Claim that Half of Households Don't Pay to Justify Tax Hikes on 25 Million Working Families

Lower-income Americans who do not pay federal *income* taxes still pay significant payroll taxes and state and local taxes.

- Only about 17 percent of households paid no federal income tax or payroll tax. Most of these people are elderly, unable to work due to a serious disability, or students, most of whom subsequently pay income tax. [Source: [Center on Budget and Policy Priorities](#)]
- According to CBO data, all income quintiles have positive tax liability – even in 2009. In other words, even the poorest 20 percent of the population, which earned only about 5.1 percent of before tax income in 2009, has federal income tax liability. [Source: [Congressional Budget Office](#)]

The 51 percent figure cited by the GOP was a temporary spike caused by the recession.

- The economic downturn increased the number of low-income Americans. At the same time, temporary tax credits that have since expired removed more taxpayers from the federal income tax rolls. In 2007, before the economic downturn, only 40 percent of households did not owe federal *income* tax. [Source: [Center on Budget and Policy Priorities](#)]

Republicans used to consider the removal of low-income taxpayers from the tax rolls one of their signature legislative achievements.

- Speaking of the 1986 Tax Reform Act, Senator Mitch McConnell said: “This bill will take 6 million of our nation’s working poor off the tax rolls, giving them an extra incentive to pursue productive employment.”
- Senator Charles E. Grassley also praised the 1986 Tax Reform Act, saying: “This bill will provide the greatest relief for the working poor. Six million taxpayers are dropped from the tax rolls.”

The Republican bill would end vital expansions of the Earned Income Tax Credit, Child Tax Credit and American Opportunity Tax Credit, leading to a an average tax hike of \$1,000 for 25 million working families.